

Bath & North East
Somerset Council



Avon Pension Fund Pension Board Annual Report 2019/20



1. Chairman's Summary



Nick Weaver
Independent Chair

Welcome to the fifth Annual Report of the Local Pension Board (LPB) of Avon Pension Fund.

The Board was established in 2015 arising from the Public Sector Pension Act 2013 and Local Government Pension Scheme (Governance) Regulations 2015.

The purpose of the Board is to assist the Administering Authority (BANES Council) of the Avon Pension Fund (APF) secure compliance with the LGPS regulations and requirements of the Pensions Regulator (TPR) and ensure efficient and effective governance and administration of the fund.

This report covers the period 1st August 2019 to 31st July 2020 within which the Board has held two meetings along with a number of informal briefings.

There was a formal meeting in November 2019 plus an informal meeting in July 2020 to update the Board on the Fund's response to the Covid-19 outbreak. Due to the pandemic the other planned meeting and workshop due to be held in March 20 was postponed.

The fifth year of operation of the LPB has been dominated by the impact of the McCloud judgement and the Covid-19 pandemic and The Board has sought assurances from officers that the fund is able to operate remotely and continue to deliver its service to members and employers.

It has also focussed on its statutory responsibilities with a core agenda of key governance themes around the fund's legal compliance, risk management and benchmarking. During this period the members of the LPB have also continued to develop their knowledge and

understanding of the LGPS and TPR requirements as required by law.

During the year The LPB has welcomed a new independent Chair appointed in November 2019, a new employer representative and a new member representative both appointed in March 2020.

It has also actively monitored the fund's involvement in the Brunel Pensions Partnership (BPP) that was established in 2017 to facilitate the pooling of the fund's assets with 9 other LGPS funds in 2018.

I am pleased to say that with the support of the officers to the APF; the LPB has made good progress in fulfilling its terms of reference and continuing to support the administering authority in its statutory duties.

1. Chairman's Summary

The LPB has reviewed a wide range of LGPS regulations and TPR requirements and made a number of recommendations to the administering authority (see page 8).

This has included reviewing all administration processes against their legal timeframes as well as locally agreed service level agreements, reviewing high level risks facing the APF on a regular basis and analysing key issues around data quality – notably missing addresses.

The LPB reviewed & commented on the revised Funding Strategy Statement & Investment Strategy Statement and raised issues such as the increased administration burden that the McCloud remedy will bring and the ongoing concerns about the Climate

Change emergency and the fund's response.

In addition we have continued to monitor the fund's compliance with TPR Code of Practice 14 along with a number of other audit reviews of the fund and its administration. The LPB welcomed the actions being implemented by the fund to ensure it fully complies with the Code and improve the control framework around the Administration of the APF.

The LPB noted the growing administration pressures from more employers joining the fund as well as new Scheme Advisory Board requirements in respect of scheme specific data. In light of this the LPB supported the need to future proof the level and quality of administration

services as set out in the Fund's administration strategy.

The LPB also continues to overview the APF communication strategy and stressed the need for all scheme information to be kept up to date and the importance of the fund website to employers and members.

Looking ahead the LPB will continue to assist and support the APF in respect of minimising potential governance and other risks arising from BPP and the pooling of the funds assets with 9 other LGPS funds.

Last but not least could I thank my fellow Board members for their commitment to their roles on the LPB and I commend this report to you.

2. Legal basis of Local Pension Board

Background

At the request of central government Lord Hutton conducted a review into public service pensions in 2010 and published his findings in March 2011 which recommended significant change to the governance of the pensions *‘to make...schemes... more transparent’*.

Subsequently legislation was introduced in the form of the Public Sector Pension Act 2013 along with the Local Government Pension Scheme (Governance) Regulations 2015. These require each Local Government Pension Scheme (LGPS) administering authority to establish a new body known as a Local Pensions Board (LPB) to assist the Council (LGPS Administering Authority).

One of the key aims of the reform was to raise the standard of management and administration of public service pension schemes and to achieve more effective representation of employer and employee interests. The LPB must have equal representation of scheme members and scheme employers.

The APF LPB is a separate legal entity from the APF Pensions Committee (Section 101 committee) to which as administering authority (BANES Council) has delegated its functions in relation to the administration of the LGPS.

Specific Role and Purpose

The Public Sector Pension Act 2013 sets out the requirements for the establishment of a LPB with the responsibility for assisting the LGPS local scheme manager (BANES) in relation to the following:

- a. Securing compliance with the regulations, any other legislation relating to the governance and administration of the Scheme, and requirements

imposed by the Pensions Regulator in relation to the Scheme and:

- b. To ensure the effective and efficient governance and administration of the Scheme.

The LPB will assist the ‘scheme manager’ by monitoring and advising on compliance with the pension scheme regulations, along with all other legislation and the requirements imposed by the Pensions Regulator to ensure the effective and efficient governance and administration of the scheme.

The role of the LPB can be likened to that of a “critical friend” but is not a decision making body. It has an important advisory role for the APF and works with the Pensions Committee to scrutinise its decision making processes and to ensure the Fund’s compliance with all its legislative requirements.

Pension Regulator

From April 2015, the Pension Regulator had responsibility for the LGPS. Therefore one focus for the LPB is ensuring the fund’s compliance with TPR Codes of Practice. This is split into a number of areas which covers governance, risk management and resolving issues.

The LPB as part of their work plan has needed to consider these areas, to ensure the Fund is compliant and if not to make recommendations to the APF Pensions Committee to address these requirements.

Terms of Reference

Terms of Reference for the LPB are available through the following link.

<http://www.avonpensionfund.org.uk/pension-board>

3. Establishment of Local Pension Board

The requirement for an Independent Chair and Board Membership was outlined in the terms of reference to the LPB which were agreed by full BANES Council on the 15th January 2015.

Following the completion of their four-year term the Chair, one member rep and one employer rep stood down in 2019. Adverts for the role of Chair were placed on the Fund’s website, Jobsgopublic.com, Local Government Chronicle online and the Council’s job vacancy website.

All applicants were then reviewed against the five published criteria in the person specifications and a shortlist of four candidates drawn up for interview with the Service Director One West and Head of Business, Finance and Pensions.

Interviews were held in August 2019 and a preferred candidate – Nick Weaver – was identified and recommended to the LPB for an appointment of four years.

The process for the appointment of a new member & employer Representative followed a similar path with adverts placed on the Fund’s website and pro-actively distributed through the many employee and employer communications.

Interviews were held in February 2020 and the new member & employer representatives were appointed in March 2020.

Details of the Local Pension Board Members

Independent Chairman:

Nick Weaver,
Appointed 1st November 2019.
Term of office 4 years.

Employer Member Representatives:

Steve Harman, *active member*
Appointed 1st July 2015.
Term of office extended to 30th June 2021.

Tony Whitlock, *active member*
Appointed 1st May 2016.
Term of office extended to 1st May 2024.

Pete Sloman, *active member*
Appointed 1st March 2020.
4 year term of office to 28th February 2024.

Scheme Member Representative:

David Yorath, *retired member*
Appointed 1st July 2015.
Term of office extended to 30th June 2023.

Mark King, *active member*
Appointed 1st May 2016.
4 year term of office to 30th June 2021.

Helen Ball, *retired member*
Appointed 1st March 2020.
4 year term of office to 28th February 2024.

In total the Board has well over 100 years experience of the LGPS. Details of each Board members experience, LPB training log, and register of interests for are available through the following link. www.avonpensionfund.org.uk/pension-board

Attendance at Local Pension Board Meetings – August 2019 – July 2020

Role	Board Member	Attendance
Independent Chairman	Nick Weaver	2/2
Employer Representative	Steve Harman	2/2
	Tony Whitlock	2/2
	Pete Sloman	1/1
	David Yorath	2/2
Member Representative	Mark King	2/2
	Helen Ball	1/1

4. Training

Background

In accordance with the Pension Regulator (tPR) Code of Practice 14 every member of a LPB must:

- Be Conversant with the rules of the local government pension scheme (LGPS) &
- Have knowledge and understanding of the law relating to pensions:

These responsibilities begin from the date the LPB member takes up their role. These knowledge and understanding requirements apply to every individual member of a LPB rather than as a group.

Degree of Knowledge and Understanding

The legal requirement is that members of the LPB must be conversant with the rules of the LGPS and any document recording policy about the administration of the fund. This is implied as a working knowledge so that members are aware of which legislation/policies to refer to when carrying out their role.

Areas of Knowledge and Understanding

LPB Members should be conversant with, but not limited to the following areas:

- a. Scheme approved policies
- b. Risk assessment/management
- c. Scheme booklets/members communications
- d. Role of LPB Members and the scheme manager
- e. Policies in relation to discretions
- f. Communications with scheme members and employers
- g. Key policy documents on administration, funding and investment

Training Undertaken

During the year on-going technical training was provided to LPB members by officers from or advisors to the APF on a full range of topics covering the LGPS framework and TPR requirements.

The 2 new members have attended induction training and are currently working their way through the Pension Regulator's Toolkit.

Along with the Pensions Committee the LPB also took part in the LGPS National Knowledge Assessment carried out by Hymans Robertson. The overall results look very positive but we will be using the results to develop future training requirements.

The LPB training plan is a topic at each board meeting and all Board Members maintain a training log, which is also submitted annually to assist in the identification of on-going training needs.

Details of the LPB training plan and members training logs are available through the following link

<https://democracy.bathnes.gov.uk/ieListMeetings.aspx?CommitteId=563>

5. Local Pension Board Code of Conduct and Conflicts of Interest Policy

Code of Conduct

All LPB members have signed up to an LPB Code of Conduct in which emphasises that as a holder of public office there is an expectation that LPB members will comply with the 'seven principles of public life', also known as the 'Nolan Principles'.

Conflicts of Interest

All LPB members have also signed up to the LPB Conflicts of Interest Policy. This requires all members to notify BANES Democratic Services team of any potential conflict of interest arising as a result of their position on the Board.

All meetings of the LPB include a standing item titled 'Declaration of Interests' at the start of the meeting where any declaration in relation to the items on the agenda should be made.

All LPB members have formally completed their declaration of interest forms and at the 4 formal meetings which have been held during the year no 'conflicts' have been declared. For more information on conflicts of interest and declarations at each meeting please use the following link

<https://democracy.bathnes.gov.uk/mgCommitteeDetails.aspx?ID=563>

6. Pension Board Costs & Budget

In meeting the requirements of the Public Sector Pension Act (2013) and establishing a Local Pensions Board, Bath & North East Somerset approved terms of reference and necessary supporting arrangements at its meeting of its full Council on the 15th January 2015.

The LPB agrees a budget on an annual basis to enable the Board to perform its duties and a summary of the costs is included below

As with all elements of the public sector there is exceptional pressure to ensure value for money can be demonstrated and the Board will continue to consider this in its future operations.

Summary Financial Table

Budget Area	Budget 2019/20	Actual Costs 2019/20
LPB Members Allowances	£8,000.00	£7,574.00
LPB Members Training Costs & External Support	£6,000.00	£1,960.00
LPB Meeting & Democratic Services Costs	£6,000.00	£1,890.00
Total	£20,000.00	£11,424.00

7. Local Pension Board Compliance with the Pension Regulator's Code of Practice No.14

As part of assessing both the effectiveness and compliance of the Board with its key requirements, the APF carried out a self-assessment of the LPB's current arrangements against TPR Code of Practice No. 14 in 2016/17. The full results of this exercise were reported initially in May 2016 and revisited in November 2016 and are available via the following link.

<https://democracy.bathnes.gov.uk/documents/s44211/LocalPensionBoardTPRCOP14UpdateNov2016.pdf>

Subsequent to this Internal Audit carry out an annual review of compliance against the Code and their latest report is available via the following link.

<https://democracy.bathnes.gov.uk/documents/s49951/LocalPensionBoardAuditUpdateFeb2018App2.pdf>

In summary the opinion was positive with a 'Good' opinion on compliance and the internal control framework and the review identified only a small number of issues identified for the APF to achieve best practice, including -

- Issues regarding the transparency of declarations of interest for the Investment

Panel were noted, in particular the failure to consistently publish declarations on 'modern gov'. These are being addressed and do not impact directly on compliance with the Code so no formal recommendation has been made.

- Supporting records such as risk registers and the breaches control sheet had not always been completed accurately or fully. However the errors / omissions were not significant in nature.
- The way in which 'acknowledgements' in respect of formal disputes are handled is not always in line with procedures although no significant issues were identified.
- Communications with members had not always been in strict compliance with the requirements of the Code but again these were not significant.

The Board support independent review and the work of Internal Audit and their reports and findings were reported to the Board in February and June 2019 along with their other reviews of the Pension Fund and overall Plan -

<https://democracy.bathnes.gov.uk/documents/s49949/LocalPensionBoardAuditUpdateFeb2018.pdf>

8. Pension Fund Communications

Effective member and employer communications form a core part of the role of the APF. During the year the Board was represented at the Employers conference and also reviewed the APF's communications strategy and website.

The Board continue to work with APF officers on assessing all methods of communication both with Members and Employers, especially where issues have been identified and greater engagement or training is required.

Reviewing the strategy and approach to how the fund communicates to its many stakeholders will remain a key element of the work plan of the Board on a rolling basis.

9. Risk Management

Risk management processes for the APF follow the framework laid down by the LGPS administering authority (BANES Council). The APF Risk Register identifies the significant risks that could have a material impact in terms of value, reputation, compliance or provision of service and sets out the mitigating action taken to manage down each risk.

The Register is reviewed regularly by the pension management team and risks fall into one of the following categories –

- i. Failures in the fund administration & control of operational processes and strategic governance processes and TPR compliance;
- ii. Service delivery partners not delivering in line with their contracts or SLAs;
- iii. Financial loss due to payments in error, loss of assets due to investment strategy and/or managers failing to deliver required return, fraud or negligence of investment managers or custodian
- iv. Changes to the LGPS nationally and increasing political pressure to reform the scheme structure, governance frameworks and to centrally direct investment decisions

The LPB's ongoing review of the risk register concurred with the Pensions Committee that the top risks facing the fund revolve around –

- BPP Governance, asset pooling and benefit realisation
- Significant growth of new employers, especially Academies
- Delivering the future funding strategy
- Recruitment and Retention
- Impacts of McCloud Judgement
- Compliance with Legal Timeframes
- Data Quality & Information Governance (GDPR)
- Business Continuity in response to the Covid-19 outbreak

The Fund continues to invest significantly in systems and resources to ensure the risks are managed effectively and resilience is built into the service and the arrangements in place are supported by external and internal audit reviews.

The LPB has actively engaged on the key risks facing the APF and its administration and supports increases in resources to mitigate some of these risks as well as discussing issues around capacity, skills gaps and recruitment and retention created primarily as a result of indirect implications from BPP.

The LP will continue to ensure that a review of the funds risk register will remain a regular agenda item at each meeting.

10. Summary Review of Areas Covered in 2019/20 & Recommendations Made

The fifth year of operation of the LPB was focussed on key governance themes of legal compliance, risk management, and best practice as well as monitoring the significant developments connected to asset pooling and creation of the Brunel Pensions Partnership. A summary of the areas covered is as follows:

Review of LPB Arrangements

Review of LPB Terms of Reference, Code of Conduct, Conflicts of Interest, Breaches
Review of Training Requirements
Review of Work Plan

Review of Pension Fund Activities

Review of Avon Pension Fund Committee & Investment Panel Minutes
Review of Project Brunel, Brunel Oversight Board
Review of Funding Strategy Statement
Review of Investment Strategy Statement
Review of Scheme Employers & Admitted Bodies
Review of Business Continuity in response to the Covid-19 outbreak

Review of Pension Fund Administration

Review of Compliance Reports at all meetings
Review of Risk Register at all meetings
Review of Service Plan annually
Review of GDPR
Review of Legal Timeframes & Missing Addresses
Review of Annual Report

Independent Assurance

Review of TPR, SAB & CIPFA external benchmarking exercises
Review of External Audit plan and reports
Review of Internal Audit plan and reports

The draft work plan for the next 12 months is detailed as follows and will be kept under regular review.

Meeting	Area	Action/Minutes
28 November 2019	Appointment of Chair Avon Pension Fund Investment Panel Minutes Avon Pension Fund Committee Minutes Funding Strategy Statement Regulatory Update Compliance Report Risk Update Training and Workplan Update	https://democracy.bathnes.gov.uk/ieListDocuments.aspx?CId=563&MId=5268&Ver=4
30 June 2020	Business Continuity Update – Covid-19 Administration Performance Update Future meeting agendas and workshops	https://democracy.bathnes.gov.uk/ieListDocuments.aspx?CId=563&MId=5269&Ver=4

11. Forward Plan for 2020-21

The draft work plan for the next 12 months is detailed as follows and will be kept under regular review.

Agenda Item	15/10/20	10/12/20	TBC 03/21	TBC 06/21
Board Governance				
Terms of Reference review				
Code of Conduct/ Conflicts of Interest policy				
Work Plan (to be dynamically updated)	✓	✓	✓	✓
Annual budget setting and monitoring	✓			
Training Plan (to be updated as required)	✓	✓	✓	✓
Annual Report to PC and Council approval	✓			
Scheme and Fund Governance				
Legal, policy, regulatory developments	✓	✓	✓	✓
Training – APF financial delegations (Council, PC, IP, BOB, and APF officers)				
Minutes PC, IP, BOB	✓	✓	✓	✓
Annual Service Plan	✓			
Training – APF internal & external SLA's financial controls				
External advisor appointments review process/controls				
Risk Register review	✓	✓	✓	✓
Good Governance Review	✓			

Agenda Item	15/10/20	10/12/20	TBC 03/21	TBC 06/21
TPR Code 14 Compliance updates	✓	✓	✓	✓
Governance (& FRC) Compliance statement	✓			
Internal Audit plan/reports on APF		✓		✓
External Audit Governance Report and Accounts			✓	
Benchmarking against other BPP funds				
Funding/Investments				
Statutory Funding Strategy Statement consultation/process/report	✓			
BPP update (delivery/savings)	✓	✓	✓	✓
Benefits Admin/Comms				
Admin Strategy Statement review and employer charging policy	✓			
Fund and employers compliance/TPR reporting	✓	✓	✓	✓
Employer admission agreement policies				✓
Breaches policy/register/TPR reporting				✓
GDPR compliance				✓
Record keeping, data security, business recovery		✓		
ABS process annual review		✓		
GMP reconciliation (one off exercise)	✓			
Discretions policies review				
Admin performance benchmarking			✓	
Comms policy statement and website review				
Complaints policy, IDRPs, PO cases review				✓